

Department of Local Affairs

Strengthening Colorado Communities

2009 DoLA -CGFOA Budget 101 Workshop

Budget Basics And Statutory Requirements

General Budget Info

What is a budget?



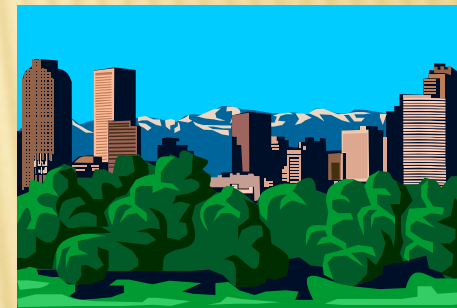
- Financial Plan
- Communications Device
- Reflection of Priorities
- more (expanded in next presentation)



Who needs to do a budget?

It is important to know who needs to do a budget

- Counties
- Municipalities (Statutory and Home Rule)
- Special Districts (Metro, Water, Recreation etc...)
- Authorities
- Anyone who could be included in definitions of
C.R.S 29-1-102 (13)

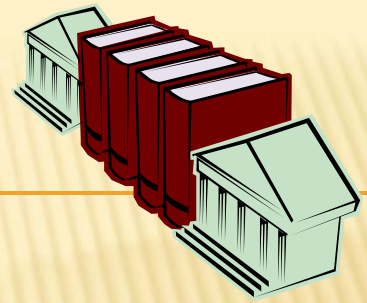


Who actually puts the pen to paper and “does” the budget?

It varies from place to place. The governing board of the organization appoints someone to do the budget. It could be the district manager, treasurer, Secretary, book keeper, or even the board president.



Statutory Budget Requirements



1. A Budget Message



2. 3 years of comparative data



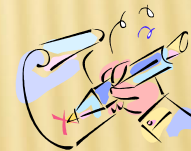
3. Beginning and ending year fund balances (estimated)



4. Lease Purchase schedule



5. A signed budget certification statement



6. Balanced Revenues and Expenditures



Budget Message

- ✖ The budget message should include anything significant within your budget.
 - + Affected revenues
 - + Big expenditures
 - + Proposed Projects
 - + Local Achievements
- ✖ The budget message needs to include a sentence on the basis of accounting (Cash, Modified Accrual, Encumbrance, or Accrual).
- ✖ Imagine you are writing a short summary of the budget for your local newspaper (maybe you can actually get it published)

**SAMPLE
BUDGET MESSAGE**
(Pursuant to 29-1-103(1)(e), C.R.S.)

Name of Local Government

(INSTRUCTIONS: Pursuant to section 29-1-103(1)(e), C.R.S., the budget must include the Budget Message. Fill in blank spaces and check any items that are applicable.)

The attached 20__ Budget for _____ includes these important features:*

(name of local government)

* "important features" are not defined in statute; however, important features of the budget would include starting/ending a service; increases or decreases in levels of services, increases/decreases to revenues (taxes/rates) and/or expenditures; acquisition of new equipment; start or end of capital project; etc.

The budgetary basis of accounting timing measurement method used is:

- ☐ Cash basis
- ☐ Modified accrual basis
- ☐ Encumbrance basis
- ☐ Accrual

The services to be provided/delivered during the budget year are the following:

Three Years Data

The budget is required to show three years of data.

- 2007 Actuals
- 2008 Estimates
- 2009 Budgeted

Additionally the data may show beginning and ending fund balances which are required as well.

This also shows the Certification Statement that is required.

Town of Marble 2009 Adopted Budget

General Fund

2009 Assessed Valuation: \$3,285,153

Mill Levy: 6.505


Estimated Revenues

	2007 Actual	2008 Estimated	2009 Adopted
Beginning Fund Balance 1/1/07	\$14,065	\$1,297	\$15,829
Taxes			
General Property Tax	\$19,866	\$21,351	\$21,369
Specific Ownership Tax	\$883	\$1,000	\$1,000
Special Use and Sales Tax	\$702	\$800	\$850
Licenses and Permits			
Business Licenses	\$260	\$300	\$320
Building Permits	\$400	\$600	\$400
Septic Permits	\$400	\$200	\$400
Intergovernmental			
General Sales Tax	\$6,973	\$6,500	\$7,000
Highway User Taxes (HUTF)	\$7,242	\$8,000	\$7,953
Additional License Fee	\$153	\$140	\$150
Cigarette Tax	\$112	\$100	\$100
Other			
Interest Revenue	\$17	\$25	\$30
Colorado Stone Use Agreement	\$18,900	\$19,845	\$20,827
Donation	\$0	\$0	\$0
Non-Specified	\$0	\$0	\$0
Transfer from Other Funds	\$0	\$0	\$0
Total Revenue	\$56,508	\$58,861	\$60,399
Total Available Resources	\$70,573	\$60,158	\$76,228

Estimated Expenditures

	2007 Actual	2008 Estimated	2009 Adopted
General Government			
Town Clerk	\$11,000	\$11,000	\$11,000
Elections	\$0	\$0	\$0
Unclassified	\$163	\$87	\$0
General Government - Operating			
Office Expenses	\$1,686	\$2,000	\$2,000
Legal Publication	\$769	\$621	\$700
Dues and Subscriptions	\$274	\$274	\$277
Workshop/Travel	\$0	\$0	\$500
FICA Withholding	\$3,387	\$3,700	\$3,700
Roads and Bridges			
Street Maintenance	\$54	\$1,000	\$5,000
Snow and Ice Removal	\$1,672	\$8,000	\$15,000
Purchased Professional Services			
Legal - General	\$6,988	\$11,000	\$12,000
Legal - Lawuit	\$28,419	\$1,747	\$0
Municipal Court	\$0	\$0	\$12,000
Engineering Services	\$0	\$0	\$1,000
Boundary Survey/Master Plan	\$0	\$0	\$0
Other Purchased Services			
Liability and Workers' Comp. Insurance	\$2,176	\$3,200	\$3,500
Utilities	\$1,088	\$1,300	\$1,500
Bank Building Maintenance	\$0	\$400	\$100
Total Expenses/Expenditures	\$57,676	\$44,329	\$68,277
Transfer to Other Fund	\$11,600	\$0	\$0
Ending Fund Balance	\$1,297	\$15,829	\$7,951

I hereby certify that this is a true and accurate copy of the 2009 Budget for the Town of Marble adopted by a majority of the Board of Trustees of the Town of Marble on December 4, 2008.



Karen Mulhall, Clerk

Revenue Limitations



There are three major limitations that local governments consider:

+ TABOR (Tax Payers Bill of Rights)



- × Property Tax Revenue Limitation
- × Mill Levy Increase Limitations
- × Fiscal Year Spending (Revenue) Limit
- × Debt Limitations
- × 3% Emergency Reserves



When you search for “tax” in clip art, here is a result. Clearly there is a problem with the public perception of taxation.

+ Statutory 5.5% Limitation

+ Mill Levy Limitation

+ Other local limitations specific to each local government

*note: The 5.5% and Mill Levy Limits only apply to Property Tax revenues.

TABOR

Fiscal Year Spending Limit

The fiscal year spending limit is one of the most confusing things concerning TABOR. This limits revenue, although it says spending, to inflation plus local growth annually. When calculating these limits there are some revenues that are exempted from this limit:

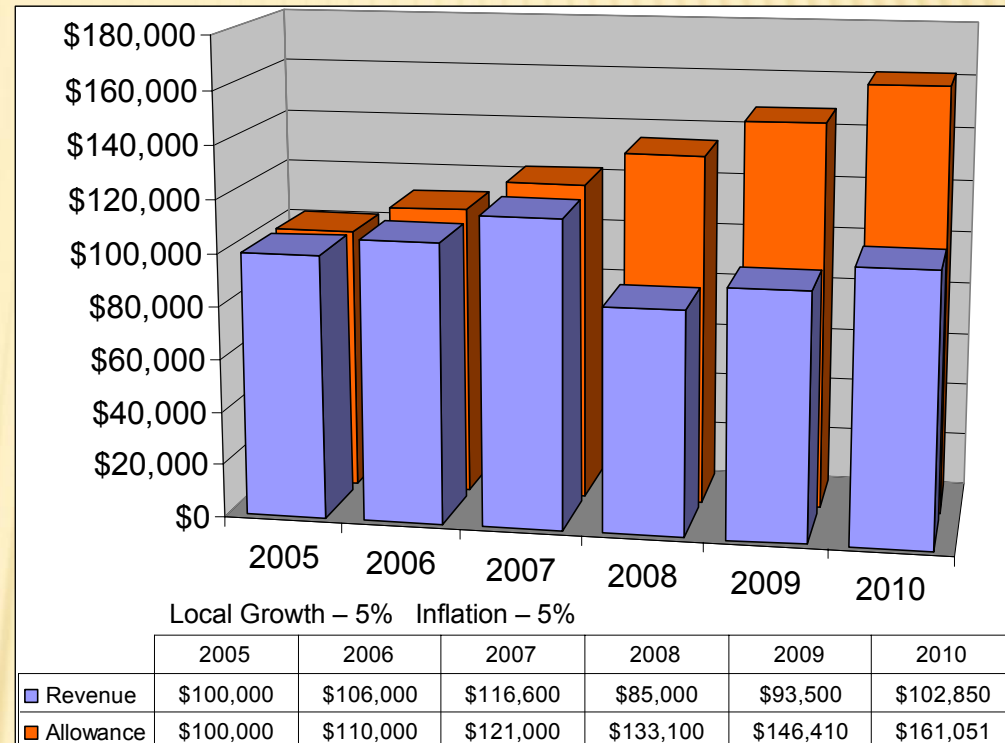
- Gifts
- Federal funds
- Collections for another government
- Pension contributions of employees
- Pension fund earnings
- Reserve transfers or expenditures
- Damage awards
- Revenues from property sales

Property Tax Revenue Limitation

Property tax revenue, as a sub-set of overall revenues, is limited by inflation plus local growth as well.

Mill Levy Limitation

TABOR requires that any increase of the mill levy must first be approved by an election of the voters.



Debt Limitation

Any increase of debt by any local government must have prior voter approval.

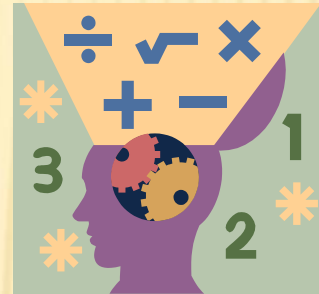
3% Emergency Reserve

All local governments must have a 3% emergency reserve. Emergencies must be declared and not be financial in nature, and the reserve must be paid back in the following year.

Other Limitations

✖ 5.5% Property Tax Revenue Limit

Previous years revenue
+ 5.5% of previous years revenue
+ Omitted revenue
+ Growth value
= Property Tax Revenue Limit



This statutory limit has been in place much longer than TABOR. Each subject government's limit is calculated by DOLA annually

✖ Locally provided limitations

- + Charter or board created limitations
- + Other voter approved limitations
- + Many local governments substitute their own self imposed limit for TABOR or the 5.5%, providing for “local control”.





How do I do the budget?

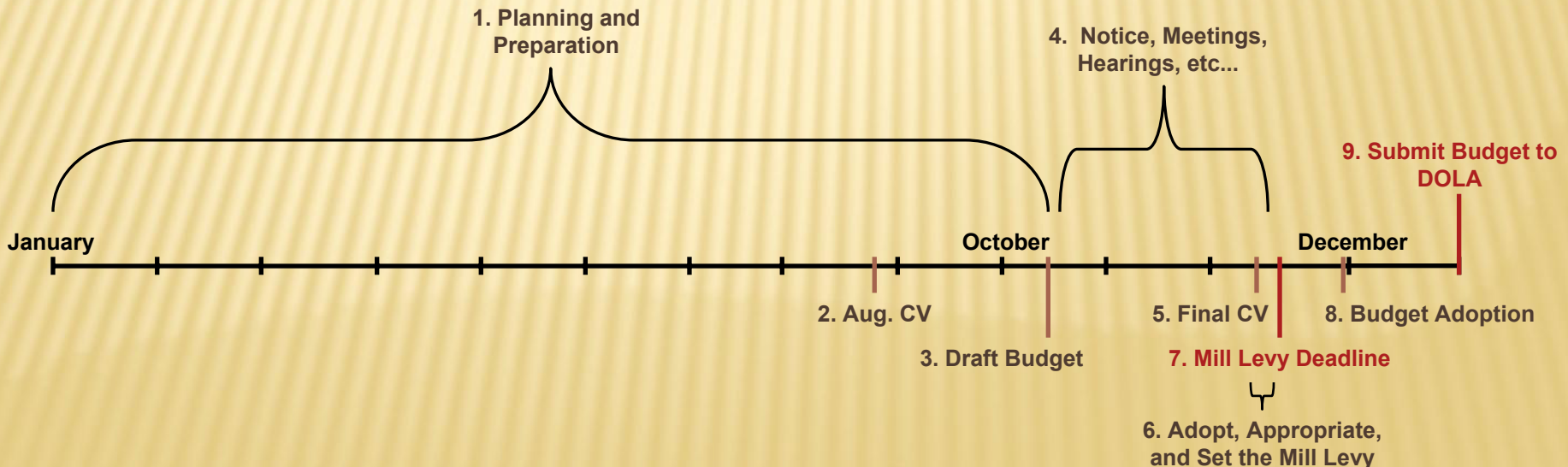
- ✗ There are not right or wrong ways to do the budget. But it is important to compile the best information available and use that information to develop the best assumptions possible.
- ✗ There are a number of different budgeting systems:
 - + Incremental Budgeting
 - + Performance Budgeting
 - + Zero Based Budgeting
 - + Fixed-ceiling Budgeting
 - + Open Ended Budgeting
- ✗ Inevitably revenue and expenditure projections will fall short or go long. In that case you can do a budget amendment.



General Budget Timeline



1. Jan – Oct 15: Budget Preparation / Agency Estimates
2. Aug 25 – First Certification of Value from County Assessor
3. Oct 15 - Preliminary or Draft Budget
4. Oct 16 - Dec. 14 – Public budget meetings, hearings, notices, and postings
5. Dec 10 – Final Certification of Value from County Assessor
6. Dec 10 - 15 – Adopt, Appropriate, then set mill levy (make sure you check your revenue projections to the new assessed values)
7. Dec 15 – Deadline to Certify Mill Levy to BOCC
8. Dec 31 – Deadline to Adopt Budget by non-levying governments
9. Jan 31 – Deadline to Submit Budget to DLG



Adoption, Appropriation, and Mill Levies

Regularly there is confusion about the process of formally approving a budget. This process usually takes place between Dec. 10th and the 15th.

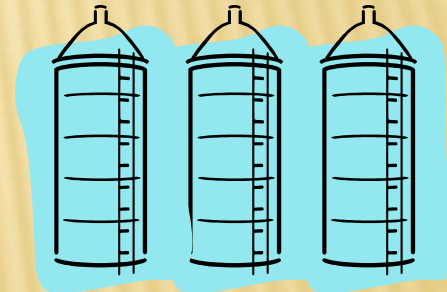
Adoption

After the budget is prepared it must be adopted. The board formally adopts the budget via resolution or ordinance.



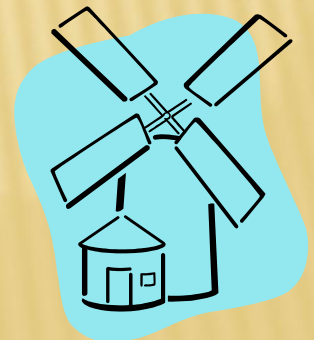
Appropriation

The appropriation is the legal authorization for a local government to spend money. Appropriations can be made as specific as line items or as broad as a general appropriation. It is important to understand your level of appropriation as it is the level that will be tested by audits.

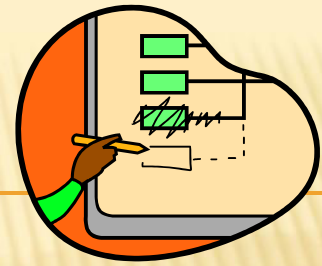


Mill Levies

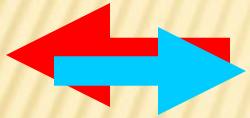
After the budget has been adopted and an appropriation has been made, property taxing governments then adopt a mill levy to raise tax revenues. This must be done and sent to the board of county commissioners by the 15th of December.



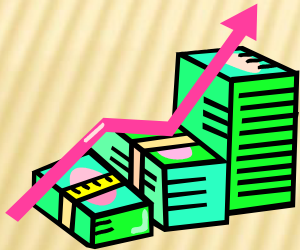
Amending The Budget



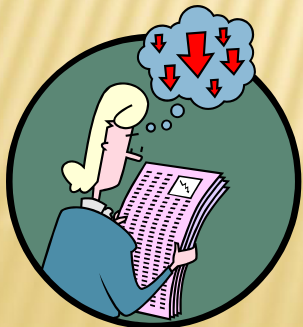
Statute provides for three circumstances and methods in order to change the adopted budget. No funds are to be expended above an appropriated amount.



- × A budget **amendment** is needed when transfers of money from one appropriated fund to another is needed.



- × A **supplemental** budget is required when revenues are received in excess of those which were appropriated (except when those revenues are received from property taxation).

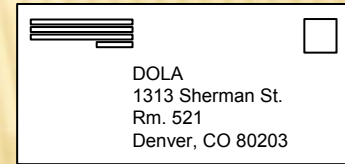


- × A **revised** budget is required when revenues do not come in at a level that were appropriated.

*public hearing process is required to change a budget in all cases except a revision downward, and certified copies of resolutions and ordinances changing the budget are required to be filed with DLG when adopted

Why / What Do I Submit To DoLA?

- ✖ The budget is required to be submitted to DoLA by **January 31st** of each year! DoLA keeps budget information for research, and to serve as a clearing house of Local Government information.
- ✖ Having the budgets helps DoLA to analyze for:
 - + Emergency Financial Assistance
 - + EIAF, CDBG, CSBG, Gaming, and other grant program analysis
 - + General technical assistance
- ✖ Any Amendments to the budget should be submitted to DoLA in order to provide the most accurate information available.





Electronic Filing

The Division has begin allowing the submission of budgets electronically

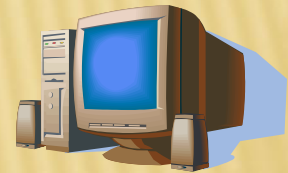
✖ Requirements:



- ✖ File in PDF format
- ✖ One local government per email
- ✖ 13 mb file size maximum (If larger send multiple emails with notice in the subject line)
- ✖ Include the LGID number (available on DoLA website)

✖ When naming your file, use the official name of the government:

- Denver, City And County of (16002) 2010 Budget.pdf
- Eagle's Nest Metropolitan District (65902) 2010 Budget.pdf



More Information Available

- ✖ http://www.dola.state.co.us/dlg/ta/budgeting/e_filing.html
- ✖ If you do not receive an auto-reply confirmation of the receipt of your email within 48 hours after you send it, please contact Jarrod Biggs or Cynthia Thayer at (303) 866-2156.

Resources

Department of Local Affairs

Strengthening Colorado Communities



OFFICE OF THE
STATE AUDITOR



- ✘ DoLA Local Government Budgeting Website
<http://www.dola.state.co.us/dlg/ta/budgeting/index.html>
- ✘ Financial Management Manual
<http://www.leg.state.co.us/OSA/coauditor1.nsf/LocalGovPublic?openform>
- ✘ <http://www.cgfoa.org/>
- ✘ <http://www.gfoa.org/>
- ✘ <http://www.icma.org/main/sc.asp>